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From:

Sent: Friday, December 03, 2010 10:34:38 AM

To:

Cc:

Subject: RE: 12/08/10 K-1 discrepancy

If a source partnership files a return showing that \$100 should be allocated to tier partnership and tier partnership files a return reflecting \$90 (and failed to file a Form 8082 Notice of Inconsistent Treatment) then section 6222 says that we can assess the inconsistently reported item. If a TEFRA partnership proceeding for source partnership increases the amount of partnership income, and the allocation to tier thus increases to \$120, that could also be directly assessed if the tier reported less than \$120. You are correct that an affected item FPAA to the tier, or an affected item stat notice to the ultimate investor, should not be necessary if there is no issue as to the amount and source of the income flowing through and we are using the tier partnership's reported allocable percentage to its partners to flow the adjustments through to the indirect partners.